

MORGAN STANLEY
GROWTH FUND

To Our Dear Unit Holder,

We are very pleased to present to you the first annual report for the Morgan Stanley Growth Fund.

The Fund's first year of existence saw a difficult time in the Indian equity market, but we believe we performed well given the environment. Investing in equities gives an investor the potential for greater long-term rewards, but with the potential for greater reward, comes greater risk. We believe investors in equities will be rewarded, but only if they understand the risks and have the patience and fortitude to wait out the difficult periods.

The specific results for the Fund, along with a commentary from the portfolio managers explaining the performance results, the strategy behind the results and most important, the strategy going forward are enclosed in this report.

We hope you find this report useful and informative. We very much appreciate your participation as a unit holder of the Fund and look forward to a successful year.

Sincerely,

*Warren J. Olsen
Principal Trustee*

May 26, 1995

PORTFOLIO MANAGERS' LETTER

Dear Unit Holder,

We are pleased to present to you Morgan Stanley Growth Fund's first annual report. The Fund closed for subscription on January 8, 1994. The objective was to provide the unit holders with long term capital appreciation through investments primarily in equity and equity related securities.

MSGF – Performance

For the first year ended March 31, 1995 the Net Asset Value (NAV) of Morgan Stanley Growth Fund (MSGF) has risen from Rs.9.02 on April 1, 1994 to Rs.9.03 per unit. While the increase is minimal at 0.1% for the year, this performance compares favourably to the overall market. The starting date of April 1, 1994 is significant as it reflects not only the start of the financial year, but was also the date when your Fund was substantially invested in the markets. In the table below, we have compared the performance of MSGF NAV against BSE Sensex, BSE National Index and BSE 200.

In the following paragraphs, we share with you the factors that helped your Fund outperform the market.

MSGF – Review of the Economy

The era of liberalisation is having its desired impact. The fiscal year 1995 recorded a GDP growth of 5.3% (provisional). As we write this report, results of the corporate sector are being announced. It is clear that the earnings growth of 35% - 40% projected in our previous newsletters, will be achieved by the corporate sector. The country's trade deficit for 1994 – 95 of \$ 2.02 billion is large, but in our opinion, it is not a matter of undue concern so long as the pace of liberalisation is maintained. The political front projects setbacks, confusion, uncertainty and periods of heightened tension. However, we believe that India has firmly set itself on a course of economic liberalisation and that there are no credible forces within India that can stem the tide of this great economic reform.

Inflation, a matter of major concern through the year, is now on a southward trend. It is a virtue of democracy that no government can ignore inflation. This strength places India very favourably in the context of other emerging markets. The country's priority now should be to achieve a higher level of growth. The Export–Import policy is a step in the right direction. However, inadequacy of infrastructure would be a stumbling block. The government needs to focus on infrastructural bottlenecks in the economy.

MSGF – Review of the Capital Market

Corporate sector performance during 1994–95 has been the best in recent memory. Yet the broad-based BSE National Index declined by 12.2% during the fiscal year 1995. Investors focussed on increased political uncertainty, a greatly increased supply of stocks due to large public offering, and a decrease in incremental flow from foreign institutional investors due to continued problems in settlement and custody. We view all of these investor concerns as short term issues that provide attractive buying opportunities for long term investors.

It is significant to note that while the decline across scrips is secular, the extent of fall shows a wide degree of variance. Good scrips have fallen much less than not so good ones. We believe the market is becoming more mature and is willing to put a premium on companies which have the inherent strength to withstand competition in the emerging environment.

The message from the market is clear: *Only well managed companies, with sound technology and economies of scale which address the large domestic market, will enjoy investor confidence; others will fade into the background.* Truly, Corporate Darwinism – demonstrated through the struggle for existence and survival of the fittest – has taken a strong hold on the capital market.

MSGF – Investment Strategy

Against such a backdrop, it stands to reason that to stay ahead of the market we must ferret out the prospective winners. And this we do by our continuing emphasis on research. Instead of relying on secondary data, we regularly go out to meet industry captains and experts and visit companies. Such initiatives give a perspective that helps us to constantly review and upgrade your Fund's portfolio, replacing the vulnerable stocks by companies with a better outlook. If circumstances warrant, we do not hesitate to pull out completely our exposure to a company even if it means incurring a short term loss. Our basic philosophy is that our portfolio should represent stocks to which we continue to remain positively disposed.

We are continuing with our MSGF units buyback. For the fiscal year 1995, we have bought back 70,935,000 units at an average price of Rs.9.09. The buyback enhances liquidity on the counter for the investor exiting from the Fund and keeps the spread low between bid and offer. Further, buying below NAV creates trading income for the Fund which enhances the value for the long term investors.

MSGF – Investor Service

We are pleased to inform you that Standard Chartered Bank has accepted the units of your Fund as a security eligible as collateral to obtain a loan. The facility, available initially in the four metros, will be subject to the rules of the Bank and the terms and conditions of their product. We propose to seek acceptance from more banks in the country to get your Fund's units placed in the respective banks approved list of securities for collateral.

We continue to work closely with Karvy Consultants on enhancing the transfer agent's capabilities. You will be pleased to note that the investor service standards set by your Fund continue to be significantly ahead of overall market standards. However, we are always critically conscious of the costs related to your Fund. The issue costs charged to the Fund was 4% of the initial corpus and the annual costs were contained at 2.15%. The actual costs were well within the regulatory ceilings of 6% and 3% respectively. We respect and honour the fiduciary responsibility you have placed on us and, to this end, we continually exercise due care and diligence in the management and administration of your Fund.

In consonance with the disclosure requirement committed in the prospectus, we have published herewith the full portfolio in the annual report. For investors with a long term perspective and the patience to get through difficult short term periods, we believe your Fund will provide significant investment opportunity. We greatly appreciate your support to the Fund and look forward to a successful next year.

Yours sincerely,

AKASH PRAKASH

Portfolio Manager

KAUSHIK PODDAR

Portfolio Manager

Bombay
May 26, 1995

Comparative Performance

	April 1, 1994	March 31, 1995	Change
MSGF NAV	9.02	9.03	+ 0.1%
BSE Sensex	3779	3261	- 13.7%
BSE Nat. Index	1830	1606	- 12.2%
BSE 200 Index	NA	368	NA

Breakdown of NAV as on March 31, 1995 Per Unit Assets and Liabilities

	Rs.
Cash	0.00
Equities	9.23
Fixed Income Securities	0.19
Time Deposits	0.12
Application Monies	0.15
Accounts Receivable	0.23
Net Unrealised Gains	(0.68)
Total Assets Marked to Market	9.24
Liabilities	0.21
Net Asset Value	9.03

Top 5 Industries by Market Value

Industry	Rs. Million
Electrical Equipment	607.2
Auto Ancillaries	536.2
Investment & Finance	532.2
Pharmaceuticals	435.5
Cement	404.7

Top 5 Stocks by Market Value

Company	Rs. Million
BHEL	338.8
TELCO	296.8
SBI	204.7
HDFC	197.5
Container Corporation	178.6

Contact details at Standard Chartered Bank

City	Branch	Telephone	Fax
Bombay	D N Road	204 5056	283 5640
Delhi	Parliament St.	374 7327	34 5908
Calcutta	N S Road	243 4700	248 4692
Madras	Mylapore	826 1719	828 0273

MSGF Processing Standards

Particulars	Turnaround
Transfer of units	15 Days
Issue of duplicate unit Certificates	40 Days
Change of address	2 Days
Registration of Liens	3 Days
Registration of power of attorney	3 Days
Other requests	5 Days

AUDITORS' REPORT

To the Board of Trustees of

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

1. We have audited the Balance Sheet of MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND (The "Fund") as at March 31, 1995 and the related Revenue Account for the period January 6, 1994 to March 31, 1995, both of which we have signed under reference to this report. Our audit was conducted in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other procedures as we considered necessary in the circumstances. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet and the Revenue Account referred to above are in agreement with the books of account of the Fund.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the notes thereon give respectively a true and fair view of the state of affairs of the Morgan Stanley Mutual Fund - Morgan Stanley Growth Fund as at March 31, 1995 and its excess of income over expenditure for the period ended on that date.
3. As indicated in Note 6, in the case of a few companies, the Fund has invested amounts exceeding 5% of the share capital of these companies.

K. H. VACHHA

Partner

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Bombay

May 26, 1995

BALANCE SHEET

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEYGROWTH FUND

Balance Sheet as at March 31, 1995

	Schedule	Rupees
SOURCES OF FUNDS		
Initial Contribution by Settlor		500,000
Unit Capital	1	9,108,651,000
Reserves and Surplus		
General Reserve relating to Unit		
Capital Excess of Income over expenditure transferred from Revenue Account		30,316,791
Current Liabilities and Provisions	2	<u>192,165,949</u>
TOTAL		<u>9,331,633,740</u>
APPLICATION OF FUNDS		
Investments	3	8,578,993,846
Deposits	4	109,100,000
Other Current Assets	5	348,260,903
Deferred Revenue Expenditure	6	295,278,991
TOTAL		<u>9,331,633,740</u>
Notes to the Accounts	9	

The Schedules referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

K H VACHHA

Partner

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Bombay

May 26, 1995

For Morgan Stanley Mutual Fund

ABID HUSSAIN

Trustee

J.S.BAIJAL

Trustee

B.RAI

Trustee

B.M.BIGGS

Trustee

W.OLSEN

Trustee

J.W.GRISHAM

Trustee

For Morgan Stanley Asset Management

India Private Limited

V.SETHI

Director

K.N.VAIDYANATHAN

Vice President

REVENUE ACCOUNT

Revenue Account for the period January 6, 1994 to March 31, 1995

	Schedule	Rupees
INCOME		
Dividend (including tax deducted at source Rs.2,318,993) (Note 2.4)		108,172,004
Interest and Discount	7	104,551,184
Profit on sale of Investments	8(A)	551,413,831
Discount on repurchase of units (Note 2.11)		64,823,505
		828,960,524
TOTAL		
 EXPENSES		
Loss on sale of Investments	8(B)	441,366,756
Investment Management and Advisory Fees (Notes 2.7 and 5)		123,334,654
Trusteeship Fees and Expenses (Notes 2.8)		984,275
Fund Accounting Fees (Notes 2.9 and 5)		12,300,000
Transfer Agents Fees		41,556,380
Audit Fees		300,000
Custodian Fees (Notes 2.10)		66,931,031
Deferred Revenue Expenditure Amortised (Note 2.6)		98,426,330
Other Operating		13,444,307
		798,643,733
TOTAL		
Excess of Income over Expenditure transferred to Reserve Fund (Note 8.2)		30,316,791

Notes to the Accounts
The Schedules referred to herein form an integral part of the Revenue Account.

9

This is the Revenue Account referred to in our report of even date.

K H VACHHA

Partner

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Bombay

May 26, 1995

For Morgan Stanley Mutual Fund

ABID HUSSAIN
Trustee

J.S.BAIJAL
Trustee

B.RAI
Trustee

B.M.BIGGS
Trustee

W.OLSEN
Trustee

J.W.GRISHAM
Trustee

For Morgan Stanley Asset Management

India Private Limited

V.SETHI

Director

K.N.VAIDYANATHAN

Vice President

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEYGROWTH FUND

Schedules forming part of the Balance Sheet as at March 31, 1995
and the Revenue Account for the period January 6, 1994 to March 31, 1995

	Rupees
SCHEDULE 1	
Unit Capital	
Issued and Subscribed :	
981,800,100 Units of Rs.10 each fully paid up	9,818,001,000
Less: 70,935,000 Units of Rs.10 each fully paid up, repurchased through secondary market operations	709,350,000
	<hr/>
	9,108,651,000
	=====
SCHEDULE 2	
Current Liabilities and Provisions	
Investment Management and Advisory Fees	8,336,625
Trusteeship Fees	166,842
Fund Accounting Fees	12,300,000
Transfer Agent's Fees	1,724,000
Audit Fees	300,000
Custodian Fees	4,765,539
Purchase contracts awaiting completion	
- Equity Shares	47,212,956
Rights Payable	
- Equity Shares	43,017,975
- Convertible Debentures	17,123,867
- Non Convertible Debentures	13,264,463
Repurchase of Units	29,507,164
	14,446,518
Sundry Creditors	
	<hr/>
	192,165,949
	=====
SCHEDULE 3	
Investments (Notes 2.2, 6, 7, 8.1 and 8.2)	
Equity Shares (including purchase contracts awaiting completion Rs.47,212,956) (Market Value Rs.7,605,790,499)	8,222,713,313
Convertible Debentures (Fair/Market Value Rs.76,225,715)	50,389,535
Non Convertible Debentures (Fair/Market Value Rs.21,634,980)	26,799,680
Bonds (Privately placed) (Fair Value Rs.98,500,000)	98,500,000

	Rupees
Units of Mutual Funds (Market Value Rs.139,196,150)	171,849,478
Detachable Warrants (Fair Value Rs14,085,264)	8,741,840
	<u>8,578,993,846</u>
	=====

SCHEDULE 4

Deposits

Deposits with Scheduled Banks	109,100,000
	<u>109,100,000</u>
	=====

SCHEDULE 5

Other Current Assets

Balance with Banks in Current Account	55,705
Sales contracts awaiting completion	
- Equity Shares	186,974,981
Application Money pending allotment	
- Equity Shares	114,236,850
- Debentures	19,275,609
Interest Receivable on :	
- Debentures (including tax deducted at source Rs.1,820,776)	7,862,618
- Deposits	953,631
- Bonds (including tax deducted at source Rs.1,320,000)	2,345,245
Dividend Receivable (including tax deducted at source Rs.2,318,993)	13,924,219
Miscellaneous Receivables	2,632,045
	<u>348,260,903</u>
	=====

SCHEDULE 6

Deferred Revenue Expenditure (Note 2.6)

Lead Managers Fee	78,613,048
Brokerage/Incentive on Issue of Units	247,215,155
Advertising and Marketing	12,421,635
Registrars Fees and Expenses	26,000,352
Printing and Despatch	16,440,422
Other Pre-operative	13,014,709
	<u>393,705,321</u>
Less: Amortised during the period	98,426,330
	<u>295,278,991</u>
	=====

SCHEDULE 7

Interest and Discount (Note 2.4)

Debentures (including tax deducted at source Rs.1,820,776)	14,094,002
Bonds (including tax deducted at source Rs.1,320,000)	23,128,785
Treasury Bills	44,021,886
Commercial Paper	5,598,400
Deposits	17,234,725
Others	473,386
	<hr/>
	104,551,184
	<hr/> <hr/>

SCHEDULE 8

Profit/Loss on sale of Investments (Note 2.4 and 3)

(A) Profit on sale of Investments	
- Short Term	533,747,382
- Long Term	17,666,449
	<hr/>
	551,413,831
	<hr/> <hr/>
(B) Loss on sale of Investments	
- Short Term	327,306,433
- Long Term	114,060,323
	<hr/>
	441,366,756
	<hr/> <hr/>

SCHEDULE 9

1. ORGANISATION

Morgan Stanley Growth Fund (the "Fund") was launched on January 6, 1994 for a period of 15 years from the date of allotment on February 18, 1994. The Fund is a close ended fund of Morgan Stanley Mutual Fund (MSMF), which has been sponsored by Morgan Stanley Group Inc., a corporation organised and existing under the laws of the State of Delaware, United States of America. Morgan Stanley Asset Management India Private Ltd., incorporated under the Companies Act, 1956, has been appointed as the Asset Management Company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 The Fund maintains its books of account on an accrual basis.

2.2 PORTFOLIO VALUATION

Investments are stated at cost/amortised cost less front end fees, if any, received. In valuing the Fund's investments, all listed equity securities, debentures, bonds and warrants for which market quotations are readily available are valued at the last sale price on the date of determination or, if there was no sale on such date, at the mean of highest current bid and the lowest current asked prices. Unlisted equity securities, debentures, bonds and warrants are valued at the average of two reputable brokers quotations or fair value as determined by the Board of Trustees. Short term investments having a remaining maturity of 60 days or less are valued at amortised cost, which approximates market value. Treasury bills and

Government bonds are valued at the average of quotations received from two scheduled banks. Other securities as to which market quotations are readily available are valued at their market price. All other securities and assets for which market quotations are not available are taken at fair value as determined in good faith in accordance with regulations adopted by the Board of Trustees.

2.3 SECURITIES TRANSACTIONS

Investment securities transactions are accounted for on a trade date basis.

2.4 INVESTMENT INCOME & REALISED GAINS / LOSSES

Dividend and interest income are recorded on an accrual basis. Gains and losses on sale of investments are accounted for, in the year in which the sale contracts are entered into, the cost of investments being determined by the average cost method. Fully paid "Rights" are included in the cost of investments for the purpose of determining realised gains/losses. Accrual for rights entitlements/partly paid rights are not included in the cost of investments for the purpose of determining realised gains/losses.

2.5 INCOME TAXES

No provision for taxation has been made as the Fund qualifies as a recognised Mutual Fund under Section 10(23d) of the Income Tax Act, 1961 and the Direct Tax Laws (Amendment) Act, 1988. Accordingly, where tax has been deducted at source on the investment income, the amount recoverable has been appropriately accounted for.

2.6 DEFERRED REVENUE EXPENDITURE

All expenditure incurred by the Fund in the nature of preliminary and pre-operative expenses, including brokerage/incentive paid on the initial unit subscriptions, are amortised over a period of five years. However, for the purpose of computing Net Asset Value per unit, Deferred Revenue Expenditure is not included in total assets.

2.7 INVESTMENT MANAGEMENT AND ADVISORY FEES

In accordance with the agreement between "the Board of Trustees" and "Morgan Stanley Asset Management ("MSAM") India Private Limited", the Fund has provided for investment management and advisory fees payable to MSAM India Private Limited for managing the Fund based on 1.25% of the weekly average Net Asset Value upto Rs 100 crores and on 1% of the excess amount over Rs 100 crores.

2.8 TRUSTEESHIP FEES

In accordance with the Deed of Trust dated November 3, 1993 between "Morgan Stanley Group Inc" ("the settlor") and the "Board of Trustees", the Fund has paid/provided for an annual fee of the rupee equivalent of U.S.\$5000 and a fee of the rupee equivalent of U.S.\$500 per meeting attended, to each of the trustees not affiliated with the settlor.

2.9 FUND ACCOUNTING FEES

In accordance with the agreement between "MSAM India Private Limited" and "Morgan Stanley Bank Luxembourg" ("MSBL"), the Fund has provided for the reimbursement of the fund accounting fees to MSAM India Private Limited based on 0.20% of the weekly average Net Asset Value subject to an annual minimum fee of Rs 2,000,000 and a maximum fee of Rs 10,000,000.

2.10 CUSTODIAN FEES

Transaction fee payable to the custodian is paid / provided at 0.35% of the purchase and sales transactions by value for the period upto March 31, 1994 and thereafter at 0.42%.

Custody fee payable to the custodian is paid/provided at 0.02% per annum of the assets held by the custodian upto March 31, 1994 and thereafter at 0.05% per annum.

2.11 REPURCHASE OF UNITS

In accordance with the permission granted by The Securities and Exchange Board of India, dated June 23, 1994, the Fund repurchased units from the secondary market based on the prevailing market prices. The discount/premium resulting from the repurchases is appropriately disclosed in the Revenue Account.

3. The Fund has entered into a contract for sale of equity shares which were in excess of actual holdings as on the date of sale. The shortfall was made good subsequently by purchase from the market. The effect of this short sale on the financial statements is not material.

4. All costs, charges and expenses incurred by MSAM India Private Limited in the administration and execution of the Fund, except costs directly attributable to the Fund are on their account for which they receive Investment Management and Advisory Fees.

5. Investment Management and Advisory fees and Fund Accounting fees payable/reimbursable to MSAM India Private Limited, are calculated at the appropriate rates on weekly average Net Asset Values recorded by the Fund.

6. In case of a few companies, the Fund has invested in amounts exceeding 5% of the paid-up share capital of these companies, such excesses having been sold on notice thereof. No loss has been incurred by the Fund upon such sale.

7. Investments are kept with the Stock Holding Corporation of India Ltd. in safe custody for which confirmation has been received.

8.1 Unrealised appreciation in the value of investments as at March 31, 1995 not accounted for amounts to Rs.31,179,604.

8.2 Unprovided depreciation in the value of investments as at March 31, 1995 amounts to Rs.654,740,843.

9. Mr. Lovraj Kumar, a trustee of Morgan Stanley Mutual Fund expired on February 3, 1994. This reduced the number of trustees to below a minimum of four as required by the Trust Deed. Mr. Jagdish Bajjal was appointed as a trustee on August 29, 1994 to comply with the minimum number of trustees required by the Trust Deed. MSAM India Private Limited had notified the Securities and Exchange Board of India of the same.

10. Refer attached Statement of Portfolio Holding as at March 31, 1995.

11. Historical per unit statistics

	Jan 6, 1994 to March 31, 1995 <u>Rupees</u>
a. Net Asset Value	<u>9.03</u>
b. (i) Gross income other than profit from sale of investments	0.30
(ii) Gross income from profit on interscheme sales/transfer of investments	Nil
(iii) Gross income from profit on sale of investments to third party	0.61
(iv) Transfer of revenue account from past year's reserve.	<u>Nil</u>
	<u>0.91</u>
c. Expenses (including provisions /write offs)	0.88
d. Provisions for depreciation	Nil
e. Net Income (b-c-d)	0.03
f. Unrealised appreciation in value of investments not accounted for	0.03
g. Depreciation in value of investments not accounted for	0.72
h. Repurchase price (Market Buyback)	
- Highest	10.10
- Lowest	7.07
i. Resale Price	
- Highest	Not Applicable
- Lowest	Not Applicable
j. Price Earning Ratio	Not Applicable

12. As these are the first financial statements of the Fund since the date of its commencement, there are no comparative figures for the prior year.

Signatures to the schedules 1 to 12 forming part of the Balance Sheet and Revenue Account

K H VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Bombay
May 26, 1995

For Morgan Stanley Mutual Fund

ABID HUSSAIN <i>Trustee</i>	J.S.BAIJAL <i>Trustee</i>	B.RAI <i>Trustee</i>
B.M.BIGGS <i>Trustee</i>	W.OLSEN <i>Trustee</i>	J.W.GRISHAM <i>Trustee</i>

**For Morgan Stanley Asset Management
India Private Limited**

V.SETHI <i>Director</i>
K.N.VAIDYANATHAN <i>Vice President</i>

PORTFOLIO OF INVESTMENTS

MORGAN STANLEY MUTUAL FUND – MORGAN STANLEY GROWTH FUND

STATEMENT OF PORTFOLIO HOLDING AS AT MARCH 31, 1995
(referred to in Note 10 to the Balance Sheet as at March 31, 1995 and the Revenue account for the period January 6, 1994 to March 31, 1995)

Quantity	Company Name	Market Value (Rs.)	Rs.
Equities			
Two / Three Wheelers			
90,500	Escorts	11,991,250	
192,150	Hero Honda	43,233,750	
85,350	Kinetic Honda	12,055,688	67,280,688
Automobiles / Passenger Cars			
100,158	Mahindra & Mahindra	28,545,030	28,545,030
Abrasive / Grindwheels			
240,800	Carborundum Universal	37,324,000	
27,000	Cutfast Abrasive	1,822,500	39,146,500
Agro Based Products			
197,100	Western Hatcheries	23,652,000	23,652,000
Aluminium			
124,552	Hindustan Aluminium	110,851,280	
137,200	Indian Aluminium	40,474,000	
1,000,000	Pennar Aluminium	23,750,000	175,075,280
Auto Ancillaries			
400,000	Automotive Axles	26,000,000	
200,000	Clutch Auto	8,400,000	
104,200	Rane Madras	29,176,000	
86,600	Engine Valves	42,001,000	
830,000	Harig Crankshaft	15,977,500	
99,000	IP Rings	18,315,000	
127,600	Kalyani Brakes	11,484,000	
23,900	Lakshmi Auto Components	1,732,750	
213,000	Motherson Sumi	31,417,500	
10,906	Motor Industries	63,800,100	
670,300	Nippon Denso India	49,434,625	
70,000	Omax Auto	5,075,000	
13,500	Rane Brakes & Lining	7,762,500	
50,000	Rein Talbros	2,125,000	
93,000	Sundaram Abex	23,715,000	
101,000	Hitech Gears	6,565,000	
135,864	Autolec Industries	19,220,383	
245,321	Invel Transmission	25,689,848	
331,500	Jai Parabolic	16,594,200	
196,400	Jaybharat Maruti	21,604,000	

Quantity	Company Name	Market Value (Rs.)	Rs.
163,000	Rico Auto	17,930,000	
250,000	Sibar Auto Parts	6,000,000	
186,100	Sona Steer	23,262,500	
133,264	Autolite India	32,470,624	
150,000	Laser Lamps Haryana	4,350,000	
193,125	Lumax Industries	26,071,875	536,174,405
Bearings			
74,015	Fag Precision	8,141,650	
216,000	Gleitlager (India)	7,128,000	
11,490	SKF Bearings	35,906,250	51,175,900
Breweries			
275,400	McDowell	15,835,500	
434,400	Radico Khaitan	10,470,675	
1,000,000	United Breweries	39,000,000	65,306,175
Cables			
131,500	Bhagyanagar Metal	9,205,000	
25,900	Cable Corporation	3,755,500	
300,000	Uniflex Cables	21,600,000	34,560,500
Casting & Forging			
144,600	Ahmednagar Forging	31,089,000	
100,175	Amforge Industries	7,763,563	
127,950	Bharat Forge	16,633,500	
40,000	Secals	3,200,000	
50,000	Ennore Foundries	7,000,000	
300,000	Jamshedpur Metal	10,125,000	
100,000	Magna Electrocasting	3,000,000	
127,000	MM Forging	9,017,000	87,828,063
Cement			
25,459	ACC	96,744,200	
102,500	Chettinad Cement	70,725,000	
150,200	Dalmia Cement	63,084,000	
2,400,000	Guj Sidhee Cement	34,800,000	
15,000	Gujarat Ambuja	3,975,000	
10,040	Madras Cements	87,850,000	
44,600	Orissa Cement	16,948,000	
414,300	Shree Cement	30,554,625	404,680,825
Cement Products / Ceramics			
182,025	Bell Ceramics	10,466,438	
76,700	Hindustan Sanitaryware	14,573,000	
190,500	Murdeshwar Ceramics	21,907,500	
320,500	Restile Ceramics	3,846,000	50,792,938
Chemicals – Organics			
147,500	Gujarat Fluorocarbons	14,381,250	14,381,250

Quantity	Company Name	Market Value (Rs.)	Rs.
Construction Housing			
150,000	Alacrity Housing	5,250,000	5,250,000
Cycles			
76,375	Tube Investments	16,038,750	16,038,750
Consumer Appliances			
183,048	Kelvinator	28,372,440	
9,300	Indo Matsushita Appliances	511,500	28,883,940
Computers Hardware			
100,000	Advanced Micronic	4,500,000	4,500,000
Computers Software			
272,200	Adam Comsoft	3,402,500	
106,700	Infosys Technologies	50,682,500	
67,000	Mastek	18,090,000	
107,200	RS Software	7,825,600	80,000,600
Consumer Electronics			
25,700	Bestavision	1,888,950	
181,400	BPL	30,838,000	
544,400	Maharaja International	18,509,600	
580,699	Philips India	156,642,945	
196,000	Salora International	17,150,000	
29,508	Samtel India	1,396,275	
242,850	Samtel Colour	13,356,750	
95,900	Solidaire India	1,558,375	241,340,895
Diamonds			
148,450	Shrenuj Diamond	10,762,625	
100,000	Suashish Diamonds	18,000,000	28,762,625
Electrical Equipment			
2,946,000	BHEL	338,790,000	
98,000	* Control & Switchgear	13,720,000	
447,250	Crompton Greaves	66,507,500	
93,000	Datar Switchgear	18,600,000	
45,000	Emco Transformers	8,100,000	
251,041	S & S Power Switch	43,304,572	
360,500	Shriram Honda	41,457,500	
125,100	Asian Electronics	54,918,000	
260,000	Centum Electronics	5,460,000	
150,000	* NSP Electronics	7,500,000	
95,300	Vikas Hybrid	8,815,250	607,172,822
Electronics			
71,500	AKG Acoustics	4,915,625	
182,000	OEN Connectors	16,380,000	21,295,625

Quantity	Company Name	Market Value (Rs.)	Rs.
Electrodes			
93,950	Carbon Corporation	5,026,325	
384,100	ESAB India	31,688,250	36,714,575
Engineering			
439,675	Artson Engg	20,215,375	
56,400	Alfa Laval (India)	19,232,400	
187,500	Cenelub Industries	4,218,750	
75,000	* Thermax India	17,250,000	
148,600	Praj Industries	37,150,000	98,066,525
Engines			
209,200	Kirloskar Oil Engines	28,765,000	
152,800	Wartsila Diesel	22,920,000	51,685,000
Fasteners			
280,600	GKW	19,642,000	19,642,000
Fertilisers			
130,800	Indo Gulf Fertilisers	9,156,000	
154,800	Zuari Agro	56,889,000	66,045,000
Food & Dairy Products			
423,500	American Dryfruit	22,657,250	
10,200	Amrut Industries	765,000	
143,500	Indian Foods	1,722,000	
199,000	Jaya Foods	7,462,500	
113,000	Temptation Foods	1,638,500	
250,000	Vadilal Industries	13,750,000	47,995,250
Glass & Allied Products			
67,900	Asahi India Safety	23,765,000	23,765,000
Heavy / Light Commercial Vehicles			
139,450	Ashok Leyland	21,614,750	
72,900	Bajaj Tempo	32,805,000	
182,700	Eicher Motors	9,363,375	
31,600	Escort Tractors	4,187,000	
148,500	Swaraj Mazda	6,237,000	
706,567	TELCO	297,758,140	370,965,265
Hotels			
100,400	Asian Hotels	23,092,000	
33,200	Hotel Sree Krishna	929,600	
43,850	Indian Hotels	24,994,500	
33,000	Indian Resorts	16,500,000	
200,000	* Kamat Hotel	12,500,000	
60,000	Om Sinduri Hotel	4,080,000	82,096,100

Quantity	Company Name	Market Value (Rs.)	Rs.
Investment & Finance			
706,200	Canfin Homes	26,482,500	
98,733	HDFC	197,466,000	
814,467	ICICI	99,872,982	
71,600	LKP Merchant Finance	3,690,980	
1,163,250	State Bank of India	204,732,000	532,244,372
Jute			
306,000	Delta Industries	41,045,000	41,045,000
Leather			
97,500	Bata India	14,137,500	
260,000	Cosmos Leather	8,450,000	
445,000	Topline Shoes	5,673,750	28,261,250
Lubricants			
61,000	IBP Co.	20,740,000	20,740,000
Media			
29,620	* New Delhi TV	19,993,500	
125,000	* Television Eighteen	9,375,000	29,368,500
Metal – Ferro Chrome			
100,000	Navabharat Ferro	4,500,000	4,500,000
Office Equipment			
300,850	Modi Xerox	62,426,375	62,426,375
Packaging			
400,000	Annapurna Foils	7,000,000	
86,429	Balmer Lawrie	9,476,688	
114,750	Sharp Industries	4,957,380	
106,450	Bajaj Plastics	9,048,250	
185,400	Cosmo Films	29,664,000	
391,233	Essel Packaging	84,837,533	
20,230	Garware Polyester	5,563,250	
167,850	Paper Products	26,016,750	
255,100	Pearl Polymers	25,510,000	
342,500	Prestige HM-Poly	12,158,750	214,232,601
Paint			
78,964	Asian Paints	45,404,300	45,404,300
Paper & Pulp			
9,175	Andhra Paper	27,249,750	
638,639	Ballarpur Industries	146,886,970	
132,920	ITC Bhadrachalam	26,584,000	
158,075	JK Corporation	29,401,950	
Quantity	Company Name	Market Value (Rs.)	Rs.
202,000	Pudumjee Paper	51,510,000	
483,600	Rama Newsprint	9,672,000	291,304,670

Pesticides			
20,000	* Hoechst Schering	600,000	600,000
Petrochemicals			
528,660	IPCL	79,299,000	
529,750	NOCIL	58,272,500	
391,000	Supreme Petrochem	13,294,000	
169,100	Shin-A-Chemical	4,227,500	
39,850	Reliance Industries	10,410,813	165,503,813
Pharmaceuticals			
15,745	Alembic Chemicals	47,235,000	
259,375	E. Merck	51,875,000	
108,550	German Remedies	30,394,000	
13,145	Hindustan Ciba Geigy	38,120,500	
100,000	Hoechst India	31,000,000	
227,395	Max India	88,684,050	
166,400	Medicaps	15,184,000	
105,056	Pfizer	37,294,880	
150,000	* Rokadia Chemicals	3,300,000	
42,600	Sandoz India	33,015,000	
121,500	SOL Pharmaceuticals	17,617,500	
8,000	Sun Pharma	1,880,000	
100,000	Unichem Labs	39,900,000	435,499,930
Pigments & Dyes			
12,823	Color Chem	54,497,750	
224,463	Indian Dyestuff	13,142,998	
464,900	Poddar Pigments	9,298,000	
237,100	Jaysynth Dyechem	45,049,000	
150,000	Metrochem Industries	24,750,000	
147,550	Sudarshan Chemicals	54,593,500	
80,000	Ultra Marine	23,200,000	224,531,248
Plastics Processing			
79,600	Blow Plast	16,119,000	
114,050	Caprihans	27,942,250	
340,000	* Eastern Medikit	11,900,000	
100,000	Jain Irrigation	17,000,000	
346,350	Kunststoffe	6,407,475	
271,700	PVD Plast	8,830,250	
296,300	* Shaily Engineering	12,444,600	
244,225	Tainwala Chemicals	14,409,188	
231,800	VIP Industries	24,918,500	139,971,263
Power			
3,470	Andhra Valley	3,372,020	
1,633	Tata Hydro	1,639,217	5,011,237
Quantity	Company Name	Market Value (Rs.)	Rs.
Pumps & Compressors			
101,850	Kirloskar Pneumatics	3,946,688	
62,150	KSB Pumps	27,035,250	

	6,350	Revathi CP	2,476,500	
	50,000	Roto Pumps	3,300,000	36,758,438
Shipping				
	531,925	Chowgule Steam Ship	29,308,719	
	63,460	GE Shipping	2,983,316	
	107,900	Mercator Lines	3,560,700	35,852,735
Soda Ash / Caustic				
	1,236,700	Modi Alkalies	23,497,300	
	435,200	Sree Rayalseema	17,952,000	
	121,950	Tuticorin Alkalies	4,573,125	46,022,425
Solvent Extraction				
	415,000	S&S Industries	14,836,250	14,836,250
Special Alloy Steels				
	141,814	Mukand Iron & Steel	36,546,640	
	236,500	Panchmahal Steel	34,292,500	
	581,000	Shri Ishar Alloys	31,955,000	
	131,000	Special Steels	15,392,500	118,186,640
Steel-Mini				
	144,300	Bellary Steel	4,870,125	
	200,000	Nahar International	14,100,000	
	380,600	Viraj Alloys	16,365,800	35,335,925
Steel				
	723,872	TISCO	154,727,640	154,727,640
Steel Tubes & Pipes				
	258,200	Indian Seam Steel	4,776,700	4,776,700
Sugar				
	54,550	Bajaj Hindustan	10,091,750	
	176,600	Balrampur Chini Mill	57,395,000	
	201,200	Kothari Sugar	10,563,000	
	188,850	Sakthi Sugar	15,108,000	
	174,000	Thiru Arooran Sugar	23,490,000	
	225,000	Upper Ganges Sugar	55,875,000	172,522,750
Tea				
	48,738	Brooke Bond	16,083,540	
	56,900	Dhunseri Tea	3,769,625	
	50,000	Gilliander Arbhuthnot	4,250,000	
	65,000	Goodricke Group	8,125,000	
	150,000	Long View Tea Co.	9,750,000	
	250,000	Rossel India	21,250,000	63,228,165

Quantity	Company Name	Market Value (Rs.)	Rs.
Telecommunication			
255,000	Indian Telephone	14,662,500	
951,000	Mahanagar Telephone	164,047,500	
65,900	Punjab Wireless	23,724,000	
50,100	Surana Telecom	2,191,875	204,625,875
Textiles – Manmade Fibre			
412,134	Indian Organic	24,212,873	
203,000	SRF	23,852,500	
155,000	Viral Filaments	16,662,500	
112,384	Vardhaman Polytex	7,486,460	72,214,333
Textiles – Spinning / Knitting			
240,000	Cheslind Textiles	4,320,000	
413,700	Indo Rama Synthetics	38,424,375	
222,200	Mahavir Spinning	43,884,500	
316,600	Maral Overseas	16,621,500	
61,818	Shri Ramakrishna Mills	9,812,210	
487,900	Viniyoga Clothex	11,221,700	
100,000	ATL Textiles	3,850,000	
871,900	Modi Threads	13,078,500	
300,000	Viral Syntex	23,400,000	
202,300	GTN Textiles	29,689,250	
105,333	Precot Mills	20,961,268	
289,150	Shree Raj Syntex	21,686,250	
45,000	Shree Venkateswara	7,200,000	
146,007	Super Spinning	23,229,119	
128,000	Tamil Nadu Jaybharat	2,400,000	269,778,672
Textiles – Composite Mills / Garments			
106,135	Coats Viyella India	22,261,021	
10,293	Mafatlal Industries	6,690,450	28,951,471
Textiles – Woollen			
285,478	Woolworth (India)	29,107,778	29,107,778
Trading			
100,100	Uniworth International	3,803,800	3,803,800
Transmission Line Towers / Equipments			
241,050	Jyoti Structural	34,952,250	
103,092	KEC International	23,711,160	
92,500	SAE India	20,812,500	79,475,910
Transport			
2,274,600	* Container Corpn.	178,556,100	
51,000	Coastal Roadways	969,000	
249,700	Transport Corpn.	12,458,000	191,983,100

Quantity	Company Name	Market Value (Rs.)	Rs.
Tyres & Tubes			
173,925	Apollo Tyres	21,740,625	
17,000	MRF	35,700,000	57,440,625
Diversified			
273,942	Standard Industries	14,056,191	
606,400	VXL Industries	25,014,000	
95,500	EID Parry	16,235,000	
53,200	Kesoram Industries	7,448,000	
14,266	Larsen & Toubro	3,709,160	
640,310	JK Synthetics	23,371,315	
200,000	Pearl Global	20,000,000	109,833,666
Others			
220,000	Alpha Geo India	14,410,000	
96,600	Camlin	10,988,250	
150,000	Coates of India	42,000,000	
300,000	Control Print	10,500,000	
300,000	Delight Handicrafts	3,450,000	
124,100	Elbee Services	23,579,000	
200,000	Gujarat Narmada Flyash	5,000,000	
220,000	Hindustan Agregenetics	3,850,000	
107,000	Otis Elevators	25,145,000	
129,500	Plastiblends	2,849,000	
536,200	REPL Engineering	40,900,400	
100,000	SKS	9,500,000	
200,000	Veera Treatwood	5,200,000	
150,000	Vijay Fire	7,980,000	
250,000	Vippy Solvex	7,675,000	213,026,650
Miscellaneous			
550	Tanfac	37,125	
800	Munjil Showa	160,000	
175	Pricol	32,375	
175	Anti Friction	15,400	
200	India Cement	50,000	
100	Malabar Bldg.	4,750	
370	Unitech	45,325	
240	GEC Alsthom	16,693	
50	Bharat Hotels	8,750	
150	Sundaram Finance	52,500	
800	Kitply Ind.	53,000	
300	Alsa Marine	12,375	
100	Kings Inter Aqua	2,450	
200	Damania Airways	5,000	
60	Indian Rayon	27,000	
75	Orient Container	14,250	
50	Gujarat Themis	3,125	
450	Uniplas India	20,025	

Quantity	Company Name	Market Value (Rs.)	Rs.
145	Tata Power	179,075	
50	Mahindra UGINE	2,000	
100	Aruna Sugars	5,750	
75	Dhampur Sugar	14,775	
100	VSNL	71,000	
50	Textool Industries	13,500	
50	Baroda Rayon	31,000	
400	DCL Polyester	16,800	
580	Mafatlal Fine	127,600	
100	Super Sales	12,000	
73	VST Industries	19,710	
240	Modi Rubber	16,800	
9,400	Shaw Wallace	1,034,000	
3,440	Mysore Cements	197,800	
1,050	Narmada Cement	30,188	
1,628	Kajaria Ceramics	244,200	
2,780	Ratnagiri Building	194,600	
1,100	Dujodwala Paper	41,250	
8,410	Onida Savak	260,710	
3,100	Namtech Electronics	146,320	
5,100	Cosmo Ferrites	153,000	
5,800	Bhagwati Gases	133,400	
7,000	SCICI	586,250	
3,500	Aqua Marine Food	29,750	
14,000	Avanti Feeds	154,000	
17,200	Steelco Gujarat	223,600	
1,366	Choksi Tubes	99,035	
1,950	Bombay Dyeing	687,375	
1,200	Haryana Petro	24,000	
4,660	Nahar Spinning	3,470,360	
9,750	Priyadarshini Spinn.	463,125	
2,100	Arun Processors	33,600	
4,343	Lakshmi Mills	<u>4,560,150</u>	13,836,866
TOTAL (Cost Rs. 8,222,713,313)			7,605,790,499

Convertible Debentures

46,540	# Cosmos Films	7,679,100
15,615	# Indian Seamless Met	1,873,800
112,500	# Jai Parabolic	11,250,000
200,000	# Nahar International	26,200,000
2,500	# Pentafor Products	937,500
57,325	# Sharp Industries	5,015,937
27,000	# Transport Corpn.	3,510,000
45,000	# Emco Transformers	19,530,000
974	# Gujarat Alkalies	<u>229,378</u>

TOTAL (Cost Rs. 50,389,535)

76,225,715

Non Convertible Debentures

41,604	# Apollo Tyres	4,992,480
28,160	# Samtel India	352,000
581,000	# Shri Ishar Alloys	8,621,000
23,700	# Textool Industries	1,777,500
491,000	# Supreme Petro Chem	<u>5,892,000</u>

TOTAL (Cost Rs. 26,799,680)

21,634,980

Bonds

1,000,000	* 12.78% SCICI Bonds	<u>98,500,000</u>
-----------	----------------------	-------------------

TOTAL (Cost Rs. 98,500,000)

98,500,000

Mutual Fund Units

12,638,300	Master Gain	132,702,150
302,000	Master Plus	4,228,000
206,000	SBI Magnum Express	<u>2,266,000</u>

TOTAL (Cost Rs. 171,849,478)

139,196,150

Warrants

6,743	# Dhunseri Tea	540,440
23,700	# Textool Industries	6,422,700
41,604	# Apollo Tyres	5,450,124
20,900	# Suraj Diamonds	<u>1,672,000</u>

TOTAL (Cost Rs. 8,741,840)

14,085,264

* Fair valuation approved by Trustees

Independent brokers' valuation approved by Trustees

Mutual Fund :

MORGAN STANLEY MUTUAL FUND

Trustees:

ABID HUSSAIN

J. S. BAIJAL

B. M. BIGGS

W. OLSEN

B. RAI

J. W. GRISHAM

Scheme :

MORGAN STANLEY GROWTH FUND

Asset Management Company :

MORGAN STANLEY ASSET MANAGEMENT
INDIA PRIVATE LIMITED

Custodian :

STOCK HOLDING CORPORATION
OF INDIA LTD.

Registrar & Transfer Agents :

KARVY CONSULTANTS PVT. LTD.

Legal Advisor :

LITTLE & CO.

Auditor :

PRICE WATERHOUSE

Banker :

STANDARD CHARTERED BANK

Registered Office : Morgan Stanley Mutual Fund, 86, Maker Chambers VI, Nariman Point, Bombay 400 021.